

ARACHUGA PROPERTIES LIMITED

BUSINESS PLAN

**FOR ESTABLISHMENT OF TOURISM PROJECT IN ACCOMODATION
SERVICES AND RESTAURANTS IN DOLLY ESTATE, ARUMERU- ARUSHA**

DECEMBER 2021.

The aim of this business plan is to explicate a brief history of Arachuga Properties Limited, its current activities and its future plans in relation to a TIC approval for a **Certificate of Incentives**.

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PART I

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

Arachuga Properties Limited is an established local Limited Liability Company based in Arusha - Tanzania. The company was incorporated in 2019 under Certificate of Incorporation No. 140411361. Currently the company intends to invest in hospitality business and operations whereby it will be trading under the name **THE KILI SEASONS (2021)**. The main aim of Arachuga Properties Limited is to provide high quality hospitality services with an objective of exploring the fast growing tourism industry in Tanzania, mainly focusing to cater for Dutch golf lovers who visit the country.

A company aim at building the famous Cape Dutch Style whereby it shall have twenty Executive Rooms (20), Restaurant, Bar, Olympic Swimming Pool and a lush Garden next to the Maji ya chai river bank

The hospitality business operation activities shall be carried out in the name of **THE KILI SEASONS (2021)**, which is a proposed business name owned by Arachuga Properties Limited.

This project document, therefore sets out investment proposals including sources of finance and assessment of financial economic viability of the hospitality business.

Investment Structure, the project is estimated to cost around 1,873,400 USD, the money shall cover for purchasing vehicle, furniture & fittings, land, Working Capital and pre- expenses.

1.2 BASIC INFORMATION

S/N	ITEM	DESCRIPTION
1	Company name	Arachuga Properties Limited
2	Physical Address	Chekereni Area, Close to Chekereni Police Station, Arusha.
3.	Telephone	0782934090
4	Project Location	Plot No. 180, Block A, Dolly Estates, Arumeru
5	Certificate of Incorporation	140411361
6	Sector	Tourism
7	Subsector	Accommodation and Restaurants
8	Total Cost of Investment	1,873,4000 USD

1.2 PROJECT CAPACITY

A company aim at building the famous Cape Dutch Style whereby at its full capacity it will have twenty Executive Rooms (20), Restaurant, Bar, Olympic Swimming Pool and a luscious Garden next to the Maji ya chai river bank which will attract tourist from Europe, Africa, America and the rest of the world.

1.3 DIRECTORS/SHAREHOLDERS

THE KILI SEASONS (2021), is a business which shall be run by a sole proprietor **Arachuga Properties Limited** which is a Company formed by local business magnate and foreign investor.

The companys Authorized Share Capital is Tshs. 1000,000,000 divided into 10,000 Ordinary Shares of Tshs. 10,000 each.

Arachuga Properties Limited is a private liability company entirely owned by the following Shareholders.

Shareholder	Number of Shares
1. Noody Erick Pownall	5,000
2.Jossely Carola Kimberly Zandvliet	4,900
3. Brigitta Annrose Pownall	100

2.0 HOSPITALITY SERVICES AND GOLF ACTIVITIES

Arachuga Properties Limited t/s THE KILI SEASONS (2021), shall be built in the famous Cape Dutch Style whereby it shall have twenty Executive Rooms (20), Restaurant, Bar, Olympic Swimming Pool and a luscious Garden next to the Maji ya chai river bank.

INVESTMENT COST

To accomplish the objective, at its full capacity, this investment will cost is USD One Million eight hundred seventy three thousand and four hundred (1,873,400 USD). The investment Financing Plan is the whole money (1,873,400 USD) is a foreign Loan from K.A.M.P Tanzania.

The investment Breakdown is as follows (In Million USD)

S/N	ITEM	COST
1	Land/ Building	350,000
2	Vehicle	450,000
3	Furniture & Fittings	250,000
4	Pre- Expenses	123,400
5	Working Capital	600,000
6	Others	100,000
	TOTAL	1,873,400

PART II

3.0 THE PROJECT

Arachuga Properties Limited *t/s* **THE KILI SEASONS (2021)**, shall provide competitive services in the following areas:

- Car rental services
- Catering services
- Concierge services
- Courier services
- Dry cleaning
- Excursions and guided tours
- Ironing service
- Laundry and valet service
- Mail services
- Massages
- Room service (24-hour)
- Shoeshine service
- Transfer and chauffeur driven to/from the Airport.

4.0 DIRECTORS/SHAREHOLDERS

THE KILI SEASONS (2021), is a business which shall be run by a sole proprietor **Arachuga Properties Limited** which is a Company formed by local business magnate and foreign investor.

The company's Authorized Share Capital is Tshs. 1000,000,000 divided into 10,000 Ordinary Shares of Tshs. 10,000 each.

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4.1 ORGANISATION AND MANAGEMENT

ORGANISATION

The Company is directly under the Shareholders, who for part of Board of Directors. The Board of Directors is responsible in formulating policies, rules, regulations and planning aspects to ensure that all services and the related activities meet the requirements of the guests/tourists and that the Company is operating on profitable basis.

The present Managing Director (MD) is appointed by the Board of Directors. The MD is the overall incharge of day to day operations of the Company. He is assisted by section heads –Sales Manager and Manager of Operations. The Operations Manager deals with all matters of administration, lodging, receiving and attending of tourist visitors and planning their activities and transport. Also undertakes all welfare activities of the workers.

The Managing Director shall be answerable and reports directly to the Board of Directors.

4.2 MANPOWER REQUIREMENTS/ EMPLOYMENT PLAN

All additional workers to be employed are expected to have some knowledge of hospitality, tourism and especially hotel and tour operations. The company expects to employ about 53 staff as it is shown in the table below

GENDER	LOCAL	FOREIGN	TOTAL
Male	20	5	25
Female	23	5	28

TOTAL	43	10	53
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4.3 RECRUITMENT AND TRAINING

The company expects to employ qualified having a wide experience in the hospitality and tourism sector, preferably, those with good knowledge in hospitality industry. Some of the subordinate staff is expected to receive on-the-job training.

5.0 THE MARKET

5.1 Targeted Market and Strategy

Arachuga Properties Limited t/s THE KILI SEASONS (2021) is located in the outskirts of Arusha Township at an area known as Usa-River, close to the Kili Golf Wildlife Estate. The business will focus on becoming a favorite stop for Dutch Golf lovers and other tourists who will be visiting Tanzania.

5.2 Strategy and Implementation

In order to reach its goal of becoming the Tanzania's best hospitality and accommodation spot, the business will adopt the following strategy:-

- i) Establish THE KILI SEASONS (2021) reputation as a distinguished, provider of accommodation to the Dutch golf players and a best place for the special European and African cuisine. This will be accomplished through a diverse

marketing communications program at THE KILI SEASONS (2021) target market, utilizing various media and publicity outlets.

- ii) Provide Unparalleled Service to the people in order to gain repeat business and build trust. This will include providing superior Service in all phases of the transaction.
- iii) Aggressively promote quality service and exciting activities at the facility.

5.6 Competitive Edge

THE KILI SEASONS (2021) Competitive edge is its focus, passion and experience. THE KILI SEASONS (2021) seeks to promote and provide the best hospitality service in the country. THE KILI SEASONS (2021) shall provide a differentiated offering with the management experience, Capital and Commitment.

6.0 FINANCIAL AND ECONOMIC ANALYSIS

6.1 FINANCIAL ANALYSIS

Our investment in the hospitality business at Plot No.180, Block 'A' Dolly Estate is equivalent to **US \$ 1,873,840.00=** which has been disbursed as a loan between Arachuga Properties Limited (Borrower) and K.A.M.P Tanzania (Lender) in the agreement dated 23RD September 2020, the loan grace period is two years, at an interest rate of 7.5% and shall be paid for a period of 25 years.

The project financial statements was based on the following assumptions

- The Implementation of the project will cost USD 1,873,400
- The Capital Expenditure will spread over a period of five years
- Implementation cost take into consideration the inflation rate

a) Project Cash Flow statement

The business has a positive net cash flow estimating that the project must be implemented, also this guarantee the company to meet its entire obligations

b) Projected Profit and Loss Account

The computations of the company projected profit and loss account show a respectable turnover. This Tourism business is profitable, it can be seen: the projected profit and loss statement of the company is strong and sound. Hence the company is expected the following taxes:- Skilled Development Levy, Insurance, Land Rent, Pay As You Earn Tax, NSSF & WCF Contribution and Corporate tax.

c) Projected Balance Sheet

The project current assets and current liabilities estimate that the company financial status is strong. As the result we expect the company to meet all its financial and administrative transactions without difficulties

Financial analysis and Loan repayment schedule have been explained in the below tables

INCOME STATEMENT (all numbers in USD)

<u>Revenue</u>							
	<u>Year0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>TOTAL</u>
Gross revenue from sales from Offering Tourism Services (Accommodation, Restaurant & Other Services)		3,000,000	3,150,000	3,307,500	3,472,876	3,646,518	16,576,894
Total Operating Revenue		3,000,000	3,150,000	3,307,500	3,472,876	3,646,518	16,576,894
<u>Expected Expenses</u>							
	<u>Year0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
Salaries		494,640	509,480	524,764	540,506	540,506	2,609,896
Social Charges & Pension Payments		98,928	101,896	104,952	108,102	108,102	521,980
Consumable goods		1,376,784	1,420,148	1,462,752	1,506,634	1,506,634	7,274,952
Administrative / expenses and management system		72,000	74,160	76,384	78,676	78,676	379,898
Fuel and lubricants for cars and generators		96,000	98,880	103,824	109,016	109,016	516,734
General Cleaness and security services		19,200	19,776	20,370	20,980	20,980	101,306
transportation		48,000	49,440	50,924	52,450	52,450	253,264
Cost of promotions, sales and marketing		30,000	30,900	31,828	32,782	32,782	158,290
Insurance/licensing/healthy premium/other charges		12,000	12,360	12,730	13,112	13,112	63,316
Utilities - Electricity and water services		27,000	27,810	28,644	29,504	29,504	142,462
Other Costs		20,000	20,600	21,218	21,854	22,426	105,528
Total Operating Costs		2,296,552	2,365,448	2,438,390	2,513,618	2,513,618	12,127,626
Operational Net Earnings before Depreciation, Interest & Tax		703,448	784,552	869,110	959,258	1,132,902	4,449,268
<i>%age Gross Contribution</i>		23	25	26	28	31	26.8
Depreciation at12. 5% (Machines, Equipments)		49,242	54,918	60,838	67,148	79,304	400,434
Net Earnings before Tax & Interest		54,206	129,632	08,272	892,110	53,598	,048,834
Interest Paid (Bank Loan)		51,520	42,738	33,254	23,010	11,948	162,470
Tax (30%)		196,262	218,890	242,482	267,632	316,080	1,241,346

Net Earnings

06,424

468,002

532,538

01,466

725,570

2,734,004

CASH FLOW FROM OPERATING ACTIVITIES

Cash Flow statement from Investing Activities for five years

(all numbers in USD)

Year 1

Year 2

Year 3

Year 4

Year 5

CASH FLOW FROM OPERATING ACTIVITIES

Cash receipts from Sales	3,000,000	3,150,000	3,307,500	3,472,876	3,646,518
Cash paid to suppliers and employees	(2,296,552)	(2,365,448)	(2,438,390)	(2,513,618)	(2,513,618)
Cash generated from operations	703,448	784,552	869,110	959,258	1,132,902
Dividends received*	0	0	0	0	0
Interest received	0	0	0	0	0
Interest paid	(51,520)	(42,738)	(33,254)	(23,010)	(11,948)
Tax paid	(196,262)	(218,890)	(242,482)	(267,632)	(316,080)
Net cash flow from operating activities	455,666	522,924	593,374	668,614	804,874
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>					
Replacement of equipment	0	0	0	0	0
Proceeds** from sale of equipment	0	0	0	0	0
Net cash flow from investing activities	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>					
Proceeds from capital contributed	356,000	0	0	0	0
Proceeds from loan	644,000	0	0	0	0
Payment of loan	(161,294)	(161,294)	(161,294)	(161,294)	(161,294)
Net cash flow from financing activities	838,706	(161,294)	(161,294)	(161,294)	(161,294)

NET INCREASE/ DECREASE IN CASH	1,294,372	361,630	432,082	507,320	643,580
Cash at the beginning of the period	406,424	468,004	532,538	601,466	725,570

BALANCE SHEET

Pro forma balance sheet					
(all numbers in 000)	Year 1	Year 2	Year 3	Year 4	Year 5
ASSET					
Current asset	406,424	468,004	532,538	601,466	725,570
Fixed asset	642,000	592,758	587,082	526,244	519,934
Liquidity	703,448	784,552	869,110	959,258	1,132,902
TOTAL ASSET	1,751,872	1,845,314	1,988,730	2,086,968	2,378,406
NET ASSET MINUS DEPRECIATION	1,702,632	1,790,396	1,927,892	2,019,820	2,299,102
EQUITY & LIABILITIES					
Equity	1,541,338	1,629,102	1,766,598	1,858,526	2,137,808
Reserves	0	0	0	0	0
Total Own Equity	1,541,338	1,629,102	1,766,598	1,858,526	2,137,808
Provisions					
Long term loan	161,294	161,294	161,294	161,294	161,294
Short term Liabilities					
Total Equity & Liabilities	1,702,632	1,790,396	1,927,892	2,019,820	2,299,102
NET FA/CL	3.98	3.68	3.64	3.26	3.22
CL/CA	0.00	0.00	0.00	0.00	0.00
DEBIT/CAPITAL RATIOS	0.09	0.09	0.08	0.08	0.07
ROI	26.4	28.7	30.1	32.4	33.9
BREAK EVEN POINT	0.91	0.76	0.68	0.55	0.46
BREAK EVEN RATIO	3.49	3.22	2.99	2.79	2.36
EQUITY/TOTAL	91	91	92	92	93

LIABILITIES

LOAN PAYMENT SCHEDULES FOR FIRST FIVE YEARS

Loan Information and Payment Schedule					
Loan Data		All number in USD		Loan Summary	
Original Principal	1,873,400.00			Scheduled Payments	74,936
Loan Term (Years)	25.00			Scheduled number of payment	25
Annual Interest Rate	7.5%			Actual number of payment	25
Payments per Year	1.00			Total Early Payment	
Payment	74,936			Total Interest	140,505

Year	Payment	Interest	Cumulative Interest	Principal	Balance
-					1,873,400.00
1.00	0	0	0	1,873,400.00	1,873,400.00
2.00	0	0	0	1,873,400.00	1,873,400.00
3.00	74,936	5,620.2	5,620.2	64,020.17	1,792,843.8
4.00	74,936	6,015.8	11,636	69,141.79	1,711,892
5.00	74,936	6,728.6	18,364.6	74,673.13	1,630,227.4
		18,364.6			

6.2 ECONOMIC SWOT ANALYSIS

STRENGTH:

- Large Population growth
- Tourism based economy employing 80% of the Work Force and represent 85% of the exports revenues
- Tourism plays an important part to some countries
- China aims to remain the commercial hub for East Africa
- Current susceptible to exchange fluctuations. China has been relatively stable recently
- Government has simplified the establishment of new business
- Well educated population

WEAKNESSES:

- Very low per capita in tourism sector
- One of the poorest economies in term of per capita income
- Land prices are higher due to government taxes
- Limited loans to small projects
- Poor national infrastructure

OPPORTUNITIES:

- In order to maintain the per capita consumption n at its current level with the increasing population growth, tourism sector needs to increase to meet its demand
- Expansion of Tourism
- Economic expansion of 5-6 % per annum
- Urbanization
- Presence of many tourism attractions

THREATS:

- Many Obstacles for foreign investments due to bureaucratic attitude
- One of the World's poorest economies in term of per capita consumption
- Limitations in Loans to small business projects
- Presence of COVID 19

6.3 SCHEDULE OF IMPLEMENTATION

The schedule of implementation is primarily dependent upon recognition of this project and all PHASES of our investment are evidently dependent upon each other for continuity and success. On the assumption that this application shall be granted we anticipate the following.

6.4 IMPORTING FURNITURE, FIXTURES AND FITTINGS

We anticipate that we shall import furniture from Holland which shall blend in with the Cape Dutch Style of the building to give our customers who are retiree Dutch golf players a feeling of home while they are staying at our facility.

6.5 OPERATIONS

As of now we have entered into a separate agreement with the Kilimanjaro Wildlife and Gold Estate to offer us special rates to the Golf Players who will visit Tanzania and stay at our facility. In our operations we look forward to employ Tanzanians who are skilled in the hospitality industry who will carry the flag our name as well as experts who shall bring in their expertise in the areas that we do not have experience and man power.

6.6 2022 FULL CAPACITY/ THE GRAND OPENING.

We expected to run into full capacity by the start of the second half quarter of the year 2022.

The Cape Dutch design shall serve as an inspiration for the future designs of our Boutique Hotel mentioned in the Third part of this Business Plan, as our expansion in properties shall be in line with the designs.

7.0 CONCLUDING REMARKS

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOT Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the Establishment of the hotel and accommodation as prescribed on this business plan have shown that the project is commercially viable. Nonetheless,

Arachuga Properties Limited through professional consultative manner will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis shows the IRR of about 13.59% the computed IRR is well above annual loan commercial bank loan interest in Tanzania, which is technically interpreted that the project is financially viable. The payback period for the project is estimated within 25 years, which is within the range for this type of investment. Sensitivity analysis results also favors the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

The Directors are committed to a long-term future for their Company and the Hospitality Sector in Tanzania, as residents and investors, the Directors have shown that their commitment and support to Tanzania and during the past few years, have been able to appreciate the support of several government sectors, all of which have shown their own commitment to the ethos and benefits of foreign and local investments. The directors have also had time to assess thoroughly the potential of their company assets and how best to utilize them to the mutual interest of themselves, their staff and the people of Tanzania.

8.0 ADDENDA

- Certified Copy of the Memorandum and Articles of Association for Arachuga Properties Limited.
- Certified Copy of the Certificate of Incorporation for Arachuga Properties Limited.

- Certified True Copy of the Right of Occupancy.
- Certified Copy of Tax Identification Number of the Company
- Certified Copy of the Business License,
- Bank Statement,
- Covering letter for this application